

VZCZCXRO3433

OO RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR

DE RUEHSF #0708/01 3100932

ZNY CCCCC ZZH

O 050932Z NOV 08

FM AMEMBASSY SOFIA

TO RUEHC/SECSTATE WASHDC IMMEDIATE 5520

INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY

RUEAIIA/CIA WASHINGTON DC PRIORITY

RUCPDOG/DEPT OF COMMERCE WASHINGTON DC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHINGTON DC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 SOFIA 000708

SIPDIS

FOR SPECIAL ENVOY GRAY, ENERGY COORDINATOR MANN, EUR DAS  
BRYZA

E.O. 12958: DECL: 11/04/2018

TAGS: [ENRG](#) [ECON](#) [PREL](#) [PGOV](#) [BU](#)

SUBJECT: FURTHER ENERGY ENGAGEMENT WITH BULGARIA

REF: SOFIA 664

Classified By: Ambassador Nancy McEldowney for reasons 1.4 (b) and (d).

¶1. (C) Summary: The recent visit of Special Envoy for Eurasian Energy Boyden Gray highlighted a number of areas for closer U.S.- Bulgarian energy engagement. We should actively engage Bulgaria as it plans a major energy security summit for April 2009 (reftel). We can advance Bulgarian diversification goals in our discussions with Turkey and Greece. We could use the possibility of Bulgarian electricity exports to Turkey or other creative solutions such as gas/electricity swaps to break Turkey's intransigence on Nabucco. Finally, to capitalize on Sofia's desire to become a leading European energy center, we will urge Bulgaria to offer the most transparent transit sector in the region. End Summary.

SOFIA ENERGY SUMMIT  
-----

¶2. (C) Bulgaria has asked our advice and engagement on their gas-focused energy security summit planned for late-April 2009. After October 6-7 consultations with Special Envoy for Eurasian Energy Boyden Gray, the Bulgarians say their event, a heads-of-state level meeting for producer, transit and major European consumer countries, will focus on getting agreement on Europe's real energy needs. The Summit will put the energy security/climate change link on the table and attempt to raise the profile, concerns and needs of long-ignored transit countries. The Bulgarians say they intend to coordinate with their Czech and Hungarian counterparts, who are also planning major energy gatherings during the EU's Czech Presidency. If successful, these events have the potential to shape Europe's energy debate. We should work closely with the Bulgarians in the lead-up to April 2009 to ensure U.S. priorities are appropriately highlighted at the Sofia Summit.

DIVERSIFICATION  
-----

¶3. (C) The Bulgarians are over 90 percent dependent on Russian gas. In January 2008 the Bulgarians were the first transit country to sign on to South Stream, tightening Russia's stranglehold here. The Bulgarians are acutely aware they need to diversify. They also need more gas than they are currently getting from Russia. Bulgaria's state-owned gas company (Bulgargaz) is an active Nabucco member. Knowing that one key to keeping Nabucco alive is assuring Azerbaijan there are European buyers of Azeri gas, the Bulgarians secured an agreement in principle to buy one bcm of Azeri gas (its Nabucco quota) in March 2008. With their almost .5 bcm gas shortfall in mind, the Bulgarians would like to take this

gas as soon as possible via a hook-up to the Turkey-Greece-Italy connector. The Bulgarians say this gas would be available until the connection to Italy is complete.

Bulgarian Minister of Economy and Energy told SE Gray October 7 that the Azeris support this idea, but implementation depends on the Turks. Turkey also says it is not opposed, but for reasons they can't explain, the Bulgarians can't close the deal. The Bulgarians have asked for our help in convincing the Turks, and the Greeks if necessary, to get this done.

14. (C) The Bulgarians are pursuing gas diversification on other fronts. To meet their gas deficit, the Bulgarians have proposed to purchase LNG on behalf of Greece in exchange for TGI access or Greece-bound gas currently going through the export pipeline from Russia and transiting Bulgaria. The Bulgarians are also pushing for the construction of an LNG terminal on Greek territory to further diversify away from Russian gas. They ask for U.S. support for Bulgarian diversification efforts in our discussion with the Greeks.

#### ELECTRICITY/NUCLEAR

15. (C) Until the EU-mandated December 2006 closure of two reactors of the Kozluduy Nuclear Power Plant, Bulgaria was a major regional exporter of electricity. Bulgarian exports made up more than 50 percent of electricity deficits in the region in Serbia, Macedonia, Kosovo, Albania and Turkey. With the completion of Bulgaria's new nuclear plant at Belene still more than six years away, Bulgaria will not be able to meet the growing electricity needs of the region. In his

SOFIA 00000708 002 OF 002

October 7 meeting with SE Gray, the Bulgarian Minister of Economy and Energy Petar Dimitrov raised his concern over the destabilizing effect this energy deficit might have in this historically-unstable region. Dimitrov asserted that the EU's decision to force Bulgaria to close down the Kozluduy reactors stemmed from purely political calculations rather than concerns over safety. The Bulgarians feel so strongly about this that they have decided not to decommission the reactors in question. They are interested in attracting U.S. company interest in either the potential rehabilitation of these reactors or the building of new reactors on the Kozluduy site to take advantage of the infrastructure already in place there.

16. (C) SE Gray explained that U.S. efforts to overcome Turkish intransigence on gas transit include a plan to help Turkey meet its electricity needs. Bulgaria could be one potential source of electricity for Turkey if Kozluduy were operating. Minister Dimitrov admitted that Turkey had ceased buying Bulgarian electricity in 2003 because of an unrelated commercial dispute, but agreed such commercial relations could be resumed if Bulgaria had electricity to export. Dimitrov also said Bulgaria would be interested in investigating other creative ways to meet both Bulgarian and Turkish needs, such as electricity/gas/LNG swaps. SE Gray offered to investigate further what the United States could do about Kozluduy as part of a plan to meet Turkish electricity needs.

#### COMMENT

17. (C) Bulgaria is striving to sell itself as a European energy center. With six current or potential oil and gas pipelines transiting the country, the creation of a new energy mega-holding company, the construction of a new nuclear plant and the hosting of a major Eurasian energy Summit, Bulgaria is setting itself up to be an important regional energy center. But hub status in any industry does not depend solely on the luck of geography. Successful transit centers only emerge in places that offer the most

transparent, efficient service. Playing on Bulgaria's aspirations, now is the time to urge it to improve the transparency of its notoriously corrupt energy sector. Working with an Extracting Industry Transparency Initiative-type transparency organization, we will propose that Bulgaria become one of, if not the first, transit country to agree to a series of transit-industry specific transparency principles to improve its chances of attaining energy center status.

18. (C) Some of these proposals, such as convincing the EU to allow the re-opening of the two Kozluduy reactors, may be non-starters. But all of these proposals represent opportunities to partner with Bulgaria on energy, something only Russia has done in the recent past. We should use these opportunities, particularly the April energy summit and the transparency initiative, to re-engage with Bulgaria on energy. Our interest will be greeted positively by a country that has very few alternatives to the Russian juggernaut.  
End Comment  
McEldowney